

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 25, 2003**

AGENDA ITEM NO.: 12

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Rehabilitated Structure Tax Exemption Program**

RECOMMENDATION: Amend the City Code to improve the quality of the current exemption program. Some of the recommended changes include increasing the minimum age of a residential structure from 25 years old to 50 years old and establishing non-refundable application fees.

SUMMARY:

Staff conducted research of all Virginia First Cities exemption programs. All fourteen Virginia First Cities have some form of rehabilitation exemption. Several areas of our code need to be changed to improve the effectiveness of this program.

PRIOR ACTION(S):

September 17, 2002 Work Session

FISCAL IMPACT:

Revenue enhancement with adoption of application fee

CONTACT(S):

Gregory H. Daniels, CAE, City Assessor 847-1510

ATTACHMENT(S):

Ordinance

Memorandum, February 12, 2003, Recommended Changes to City Code Sec 36-177

Spread sheet comparing programs of other localities

REVIEWED BY: lkp

ORDINANCE

AN ORDINANCE TO AMEND AND REENACT SECTION 36-177 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTION RELATING TO THE CITY'S REHABILITATION PROGRAM FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL REAL ESTATE.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Section 36-177 of the Code of the City of Lynchburg, 1981, be and the same is hereby amended and reenacted as follows:

Sec. 36-177. Exemption of real estate taxes for certain rehabilitated residential and commercial and industrial real estate.

(a) Definitions. For the purpose of this section, the following words and phrases shall have the meaning respectively ascribed to them by this subsection unless another meaning shall clearly appear from the text:

(1) Substantially rehabilitated residential/~~multifamily~~ (6 units or more) real estate: Real estate upon which there is an existing residential or multifamily structure, which is no less than ~~twenty-five (25)~~ fifty (50) years of age, and which has been so improved as to increase the assessed value of the structure by no less than forty (40) per cent, ~~or no less than twenty (20) per cent in the case of multifamily units of five (5) or more,~~ but without increasing the total square footage of such structure by more than fifteen (15) per cent.

(2) Substantially rehabilitated commercial or industrial real estate: Any real estate upon which there is an existing commercial or industrial structure which is no less than twenty-five (25) years of age, and which has been so improved ~~or replaced~~ as to increase the assessed value of the structure by no less than sixty (60) per cent ~~but without increasing the total square footage of such structure by more than fifteen (15) per cent.~~

(3) Base value: The assessed value of any structure covered by this section prior to the commencement of rehabilitation work, as determined by the city assessor upon receipt of an eligible application for rehabilitated real estate tax exemption and after a physical inspection of the property by an appraiser from the city assessor's office.

(4) Rehabilitated real estate tax exemption: An amount equal to the increase in assessed value resulting from the substantial rehabilitation ~~or replacement~~ of a structure as determined by the city assessor and this amount only should be applicable to subsequent tax exemption.

(5) Taxable year: For the purpose of this section, the fiscal year from July 1 through June 30 for which such real estate tax is imposed for the exemption claimed.

(6) Owner: The person or entity in whose name the structure is titled or a lessee who is legally obligated to pay real estate taxes assessed against the structure.

(b) Rehabilitated real estate tax exemptions. It is hereby declared to be the purpose of this section to authorize a rehabilitated real estate tax exemption for substantially rehabilitated residential, multifamily, ~~real estate and substantially rehabilitated~~ commercial or industrial real estate located anywhere within the City of Lynchburg. For each residential and multifamily

property that qualifies, the rehabilitated real estate tax exemption shall be effective for a period of ten (10) years commencing on July 1 for any work completed during the preceding fiscal year. For each commercial or industrial property that qualifies, the rehabilitated real estate tax exemption shall be effective for a period of five (5) years commencing on July 1 for any work completed during the preceding fiscal year. ~~No property owner may apply for exemption on the basis of a building permit issued prior to January 1, 1983.~~

(c) Usual and customary methods of assessing. In determining the base value and the increased value resulting from substantial rehabilitation of residential, multifamily, ~~or~~ commercial or industrial real estate, the city assessor shall employ usual and customary methods of assessing real estate.

(d) Eligibility requirements:

(1) An application to qualify a structure as a substantially rehabilitated residential, multifamily, commercial or industrial structure must be filed with the city assessor's office ~~no later than thirty (30) days after obtaining the building permit for the rehabilitation~~ before work is started. Applications may be obtained from the city assessor's office.

(2) Upon receipt of an application for rehabilitated real estate tax exemption, an appraiser from the city assessor's office shall make a physical inspection of the structure and determine the assessed base value of the structure. If work has been started prior to the first inspection; the current assessed value for the structure, plus any improvement value that has not been picked up by the assessor's office prior to the start of the rehabilitation permit, will be used as the base value the base value will include any work started and will reflect the market value of the structure as of the date of the first inspection.

(3) The application to qualify shall be effective for a period of two (2) years from the date of filing. No extensions of this time period will be granted.

(4) Upon completion of the rehabilitation, the owner of the property shall notify the city assessor in writing, and ~~the city assessor~~ an appraiser from the city assessor's office shall physically inspect the property and perform an after rehabilitation appraisal to determine if it then qualifies for the rehabilitated real estate tax exemption.

(5) Upon determination that the property has been substantially rehabilitated pursuant to the terms of this section, the rehabilitated real estate tax exemption shall become effective for a period as provided in paragraph (b) hereof.

(6) Prior to a determination that the property has been substantially rehabilitated, the owner of the property shall continue to be subject to taxation upon the full value of the property, as otherwise authorized by this code.

(7) No improvements made upon vacant land nor total replacement of residential, single-family or multifamily, commercial or industrial residential structures shall be eligible for rehabilitated real estate tax exemption.

(8) No property shall be eligible for such exemption unless the appropriate building permits have been acquired and the city assessor has verified that the rehabilitation indicated on the application has been completed.

(9) Multifamily residential structures after rehabilitation is completed shall remain as such for the remainder of the exemption period.

(10) There shall be a non-refundable fee of one hundred twenty-five dollars (\$125.00) for processing each residential application and two hundred fifty dollars (\$250.00) for processing each multi-family, commercial or industrial application under this section.

(11) The property must at all times be in compliance with all Lynchburg city codes including, without limitation, the building code, the rental housing code, the zoning ordinance and all other codes that relate to real estate within the City of Lynchburg. Failure to correct the violation within the required time, as provided by the building inspector, will void the remainder of the exemption. If a structure is damaged or destroyed and found to be uninhabitable, the exemption will be terminated.

(12) No exemption shall be granted if access to the entire property is denied to the city assessor's office or the inspections division.

(13) All taxes must be paid and current to be eligible for an exemption. If the city assessor is notified by the billing and collections department that the property is more than thirty (30) days delinquent on taxes, then the remainder of the exemption will be void.

(14) Only one rehabilitation exemption may be active for a parcel at any given time.

(e) Exemption to run with the land. The rehabilitated real estate tax exemption shall run with the land, and the owner of such property during each of the years of exemption shall be entitled to the amount of partial exemption.

(2) That this ordinance shall become effective upon its adoption.

Adopted:

Certified:

Clerk of Council

045L

REHABILITATION EXEMPTION PROGRAM										
CURRENT CITY CODE FOR FIRST CITIES										
LOCALITY	MINIMUM AGE (YEARS)	TIME TO COMPLETE (YEARS)	EXEMPTION PERIOD (YEARS)	MIN. ASSESS. INCREASE TO QUALIFY	MAX. % OF SQUARE FOOT INCREASE	REQUIRE OWNER OCCUPANCY	APPLICATION FEE	TRANSFERS W/ REAL ESTATE	ALLOWS TOTAL REPLACEMENT	WHEN TO APPLY
CODE OF VIRGINIA										
RESIDENTIAL	15	N/A	15 MAX	ASSESSMENT INCREASE	30%	NO	\$125 MAX	YES	YES	N/A
MULTI-FAMILY(6 UNITS+)	15	N/A	15 MAX	ASSESSMENT INCREASE	30%	NO	\$250 MAX	YES	YES	N/A
COMMERCIAL	20	N/A	15 MAX	ASSESSMENT INCREASE	NO LIMIT	NO	\$250 MAX	YES	YES	N/A
ENTERPRISE ZONE	15	N/A	15 MAX	ASSESSMENT INCREASE	NO LIMIT	NO	\$125/\$250 MAX	YES	YES	N/A
LYNCHBURG										
RESIDENTIAL	25	2	10	40%	15%	NO	\$0	YES	NO	WITHIN 30 DAYS OF PERMIT
MULTI-FAMILY(5 UNITS+)	25	2	10	20%	15%	NO	\$0	YES	NO	WITHIN 30 DAYS OF PERMIT
COMMERCIAL	25	2	5	60%	15%	NO	\$0	YES	YES	WITHIN 30 DAYS OF PERMIT
CHARLOTTESVILLE										
RESIDENTIAL	25	2	7	20%	NO LIMIT	YES	\$50	YES	YES	AT PERMIT FILING
MULTI-FAMILY(6 UNITS+)	NO PROGRAM									
COMMERCIAL	NO PROGRAM									
DANVILLE										
RESIDENTIAL	PRIOR 1945	2	15	25%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	PRIOR 1945	2	15	25%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
COMMERCIAL	PRIOR 1945	2	15	25%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
FREDERICKSBURG										
RESIDENTIAL	25	2	7 (STEP DOWN)	40%	15%	NO	\$20	YES	YES	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	25	2	7 (STEP DOWN)	40%	30%	NO	\$20	YES	YES	PRIOR TO REHAB WORK
COMMERCIAL	25	2	7 (STEP DOWN)	60%	15%	NO	\$20	YES	YES	PRIOR TO REHAB WORK
HAMPTON										
RESIDENTIAL	25	1	6 (3@100%, 3@50%)	40%	15%	NO	\$50	YES	NO	WITHIN 5 DAYS OF PERMIT
MULTI-FAMILY(6 UNITS+)	25	1	6 (3@100%, 3@50%)	40%	15%	NO	\$50	YES	NO	WITHIN 5 DAYS OF PERMIT
COMMERCIAL	25	1.5	6 (3@100%, 3@50%)	60%	25%	NO	\$100	YES	NO	WITHIN 5 DAYS OF PERMIT
HOPEWELL										
RESIDENTIAL	25	2	10	25%	100%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	25	2	10	40%	50%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
COMMERCIAL	25	2	10	40%	100%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
NEWPORT NEWS										
RESIDENTIAL	25	N/A	15 (6@100%, 9@10%STEP)	30%	30%	NO	\$0	YES	NO	WITHIN 18 MONTHS OF COMPLETION
COMMERCIAL	25	N/A	5	60%	15%	NO	\$0	YES	NO	WITHIN 18 MONTHS OF COMPLETION
ENTERPRISE ZONE	25	N/A	5	\$50,000	15%	NO	\$0	YES	NO	WITHIN 18 MONTHS OF COMPLETION
NORFOLK										
RESIDENTIAL	15	1	10 (5@100%, 5@20%STEP)	10%	NO LIMIT	YES	\$50	YES	NO	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	NO PROGRAM									
COMMERCIAL	NO PROGRAM									
PETERSBURG										
RESIDENTIAL	50	0.5	5	40%	15%	NO	\$20	NO	YES	AT PERMIT FILING
MULTI-FAMILY(6 UNITS+)	50	0.5	5	40%	15%	NO	\$20	NO	YES	AT PERMIT FILING
COMMERCIAL	50	0.5	5	60%	15%	NO	\$20	NO	YES	AT PERMIT FILING
PORTSMOUTH										
RESIDENTIAL	40	N/A	5	40%	15%	NO	\$50	NO	YES	WITHIN 10 DAYS OF PERMIT
MULTI-FAMILY(6 UNITS+)	40	N/A	5	40%	15%	NO	\$50	NO	YES	WITHIN 10 DAYS OF PERMIT
COMMERCIAL	40	N/A	5	60%	15%	NO	\$50	NO	YES	WITHIN 10 DAYS OF PERMIT
RM/COMM IN URBAN ZONE	25	N/A	10	40/60%	15%	NO	\$50	NO	YES	WITHIN 10 DAYS OF PERMIT
RICHMOND										
RESIDENTIAL	15	3	15 (10@100%, 5@20%STEP)	20%	30%	NO	\$50	YES	YES	AT PERMIT FILING
MULTI-FAMILY(6 UNITS+)	15	3	15 (10@100%, 5@20%STEP)	40%	30%	NO	\$50	YES	YES-130% MAX	AT PERMIT FILING
COMMERCIAL	20	3	15 (10@100%, 5@20%STEP)	40%	0%	NO	\$50	YES	YES-100% MAX	AT PERMIT FILING
ENTERPRISE ZONE	15	3	15	40%	10%	NO	\$50	YES	YES-110% MAX	AT PERMIT FILING
ROANOKE										
RESIDENTIAL	25	2	5	40%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK

REHABILITATION EXEMPTION PROGRAM										
CURRENT CITY CODE FOR FIRST CITIES										
	MINIMUM AGE	TIME TO COMPLETE	EXEMPTION PERIOD	MIN. ASSESS. INCREASE	MAX. % OF SQUARE	REQUIRE	APPLICATION	TRANSFERS	ALLOWS	WHEN TO
LOCALITY	(YEARS)	(YEARS)	(YEARS)	TO QUALIFY	FOOT INCREASE	OWNER OCCUPANCY	FEE	W/ REAL ESTATE	TOTAL REPLACEMENT	APPLY
MULTI-FAMILY(6 UNITS+)	25	2	5	40%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
COMMERCIAL	25	2	5	60%	15%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
ENTERPRISE ZONE	15	1	5	\$50,000	0%	NO	\$50	YES	NO	PRIOR TO REHAB WORK
STAUNTON										
RESIDENTIAL	25	2	7	40%	15%	NO	\$20	YES	NO	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	25	2	7	40%	15%	NO	\$20	YES	NO	PRIOR TO REHAB WORK
COMMERCIAL	25	2	7	60%	0%	NO	\$20	YES	NO	PRIOR TO REHAB WORK
WINCHESTER										
RESIDENTIAL	25	N/A	10	40%	15%	NO	\$20	YES	NO	PRIOR TO REHAB WORK
MULTI-FAMILY(6 UNITS+)	25	N/A	10	40%	15%	NO	\$20	YES	NO	PRIOR TO REHAB WORK
COMMERCIAL	25	N/A	10	60%	15%	NO	\$20	YES	NO	PRIOR TO REHAB WORK